

however, delay in completion of the relining of a large blast furnace and a repetition of problems with the 44" blooming mill hampered operations in the second quarter of this year. As a result, it was again necessary to sell some steel in semi-finished form at comparatively low profit margins to maintain volume. In addition, costs of employment, materials and services continued to rise, with major increases in coal and fuel oil.

The price increases late last year and productivity gains in the first half of 1971 did not offset increased costs and net earnings declined to \$6.1 million, equal to 53 cents per share in the half-year. Net earnings included \$592,000, equal to 5 cents per share, from recovery of the portion of an account receivable which was written off in 1967 as an extraordinary charge against earnings.

Testing of computer controls on the new 160" plate mill is being completed and the reheating furnace has been lit in preparation for trial rolling of hot steel which is scheduled to start this month. The pouring of foundations for the No. 2 Basic Oxygen Steel Plant is nearing completion and steel erection is under way.

It is expected that demand for Algoma's steel products will remain reasonably strong and that operations will be close to capacity through at least the third quarter of this year. A new blooming mill stand has been ordered to replace the old 44" mill stand and it is scheduled for delivery in the latter part of this year. Price increases effective in June and July on bars, billets and hot and cold rolled sheet and strip, which averaged less than 5 per cent, will provide some relief from cost increases which have had to be absorbed.

Negotiations with Mannesmann Tube Company, Ltd. for lease of its seamless tube plant by Algoma have not yet been concluded.

D. S. HOLBROOK
CHAIRMAN and PRESIDENT

Sault Ste. Marie, Ontario
July 27, 1971.

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QUARTERLY REPORT TO SHAREHOLDERS

for the period ended
June 30, 1971

THE ALGOMA STEEL
CORPORATION, LIMITED

QUARTERLY REPORT

for the period ended June 30, 1971

To the Shareholders of The Algoma Steel Corporation, Limited:

The following is a summary of consolidated unaudited results for the second quarter and first six months of 1971 with figures for comparable periods in 1970 and details of the source and application of funds for the first half of each year.

		Three Months Ended June 30		Six Months Ended June 30	
		1971	1970	1971	1970
PRODUCTION AND EARNINGS		(thousands of net tons and dollars except per share data)			
Raw steel production	N.T.	635	643	1,201	1,279
Net sales	\$	69,655	68,661	135,090	134,109
Depreciation and amortization	\$	4,793	4,604	9,407	9,125
Earnings before income taxes	\$	4,862	6,299	7,098	10,495
Income taxes	\$	1,052	(874)	998	(3,128)
Net earnings	\$	3,810*	7,173	6,100*	13,623
Net earnings per share	\$.33	.61	.53	1.17

* Includes \$592,000 from recovery of doubtful account receivable.

SOURCE AND APPLICATION OF FUNDS

FUNDS WERE PROVIDED BY

Current operations	\$16,505	\$19,620
Sale of series D debentures	34,000	—
Other — net	(1,288)	1,374
	<u>49,217</u>	<u>20,994</u>

FUNDS WERE APPLIED TO

Plant and equipment additions and mine development	16,455	14,804
Purchase of series A and C debentures	300	—
Payment of dividends	2,902	2,902
	<u>19,657</u>	<u>17,706</u>

WORKING CAPITAL

Increase during six months	\$29,560	\$ 3,288
At end of June	<u>\$75,071</u>	<u>\$51,837</u>

Quarterly figures are unaudited and include estimates subject to adjustment when results for the full year are determined and audited.

Although Steelworks operations and sales improved in the second quarter of 1971 and raw steel production at 635,000 tons was only slightly lower than the record in the same

period last year, results were not up to expectations.

Shipments and sales were about the same level in the first half of each year; unfortunately